**Speech of the Transport Member introducing the Railway Budget for 1947-48 on 27th February 1947**

Sir,

I have the honour to present the Railway Budget for 1947-48.

This is, I venture to think, a unique occasion in the history of the Railways and of India as a whole, since today for the first time the Railway Budget is being sponsored by a Government at the Centre reflecting the political opinions of almost the entire House-I might say of almost the whole of British India. As the House is aware, it is only a month ago that I took over charge of the Railway Department from my distinguished predecessor Mr. Asaf Ali. I must, therefore, crave the indulgence of the House in performing the difficult task of presenting the finances of the Indian Railways with the, necessarily brief acquaintance I have with these problems.

2. The Indian Government Railways, are by far the largest industrial concern under one management in the country, employing over 9 lakhs of workers of all grades. Further they are almost completely nationalised and their financial stability has, therefore, a large bearing on the financial stability of the Central Revenues and consequently on the economic position of the country generally.

3. In view of the magnitude of this undertaking conditions in Railway service have not only an influence on other Government Services, but must of necessity have a profound effect on the industrial situation in the country. In the past, lose contact has been maintained between the Railway Board and organised Railway labour and this contributed in no small measure to the industrial peace which, with very few exceptions, prevailed during the difficult years of war. It was, however, but natural that the large body of Railway servant who had worked so loyally and strenuously in furtherance of the war effort should, directly hostilities ended, have felt that their economic troubles would come to an end with the end of the war, and viewed with apprehension the possibility of retrenchment due to reduction in Railway activities and absorption of ex-servicemen. Thus in the cold weather of 1945-46 a number of communications were received by Government from the All-India Railwaymen's Federation over a constantly enlarging field.

Having carefully selected the demands in respect of which an impartial investigation might serve a useful purpose, Government appointed an Adjudicator in April, 1946, to consider the hours of work and periodic rest of Railway servants, the adequacy of the existing leave reserve and the leave rules applicable to daily-rated and inferior staff. So far as retrenchment was concerned Government, while appreciating the workers' anxiety, could not agree that the question whether there would or would not be work enough for all employees was a matter for adjudication as demanded by the Federation, since work must necessarily vary with the load which the Railways are called upon to carry. Government considered that it was the responsibility of Government as a whole to explore the possibilities of absorbing staff surplus to Railway requirements in alternative employment.

In May 1946 Government announced the appointment of the post-war Pay Commission with wide terms of reference which inter alia included consideration of machinery for the settlement of disputes relating to conditions of service arising between Government and Government's employees.

The All-India Railwaymen's Federation were, however, not satisfied with the steps taken by Government and on the 1st of June 1946 gave notice of a strike to commence on the 27th of that month. The acceptance, of the Federation's demand would have involved additional expenditure far beyond the capacity of Railway finances, and the demands were, therefore referred to the Standing Finance Committee for Railways for their consideration in the light of the expenditure which would be involved. Having heard in person the Secretary of the Federation and having considered their claims against the background of the economic life of the country and the condition of Railway finances, the Standing Finance Committee recommended the grant of interim relief to Railwaymen in receipt of a pay of Rs. 250 per month and below with retrospective effect from the 1st of July 1945, involving an additional expenditure in the current financial year of some 9 crores of rupees. Government accepted this recommendation and in consultation with the Federation it was decided to distribute this amount at the uniform rate of Rs 4/8/- per month to all employees drawing Rs. 250 per month and below. The Standing Finance Committee were of opinion that the question of retrenchment was not a trade dispute and that the Federation could not in law ask for the matter to be referred to an Adjudicator. They recommended, however, that in order to allay the fears of Railwaymen a

high power committee should be set up, charged inter alia with suggesting practical methods of absorbing surplus staff on the Railways. In pursuance of this suggestion Government have since set up the Indian Railways Enquiry Committee, 1947. When the recommendations of the Standing Finance Committee were discussed with the All-India Railwaymen's Federation the latter contended that, Government should not prejudge the issue of retrenchment by continuing to discharge surplus staff pending the Adjudicator's award on the hours of work, etc. Government agreed to this proposal and instructions were issued to the effect that no Railway servant in service on 15th September 1945 should be discharged on becoming surplus unless he refused alternative employment until the Adjudicator's award had been considered by Government. In pursuance of this policy the number of discharges that have taken place since July 1946 is 430. It may interest the House to know that since the end of the war out of a total of about 9,25,000 Railway employees 37,100 were declared surplus of whom 29,000 have been provided with alternative employment and only 8,100 have been discharged of which 1 over 4,000 were men who had been employed by the Railways, not on Railway work, but on behalf of other Government Departments.

The strike notice was finally rescinded by the Federation on the 21st of June 1946, nevertheless sudden strikes and stoppages of work have occurred in isolated Railway centres from time to time and one major strike - that on the South Indian Railway in August and September last - persisted fitfully for a number of weeks and although It never caused a total stoppage of traffic, it resulted in considerable inconvenience to the public and substantial loss to the Government and to the strikers themselves. In spite of every sympathy with the legitimate demands of labour I feel it my duty to warn those who have the great responsibility in these difficult times of advising and directing organised labour that strikes, stoppages, of work and “go slow" policies will react detrimentally on both the country's economy and the workers themselves. Among the repercussions of such activities are a fall in revenue, dislocation of trade and industry, diminution of production and therefore a general deterioration of national well-being. If the earnings of the Railways are reduced the improvement of service conditions which the workers and Government alike desire cannot possibly be effected. With a Government in power pledged to the amelioration of conditions of life not merely of their own employees but of the masses generally, there can be no justification for strikes or "go slow" policies merely because time has necessarily to elapse before full examination of such a complex subject can be carried out and decisions arrived at. It may be that for some time while these complex problems are under active examination the conditions of service, particularly of those who are, not highly paid, may not be all that, could be desired. But all Railway servants must rest assured that decisions on pay and conditions of service will be taken by Government as rapidly as possible after the reports of the Adjudicator and the Pay Commission have been received by Government. In view of this assurance, Government trust that, pending the revision of conditions of service, Railwaymen will observe strict discipline and apply themselves honestly, diligently and with good-will to the duties which are assigned to them. Indian Railwaymen have a great tradition to live up to and I hope that both in their own interests and in the country's they will make a determined effort to maintain it.

4. While on this subject of pay and conditions of service I feel it incumbent on me to utter a word of caution. Inflationary tendencies prevail in India today as is evidenced by the upward trend of prices during the last few months and no one, can regard this with equanimity. Should the upward trend be, emphasised by any factor the position may well get out of hand, and we have learnt from the bitter experiences of the 1930 slump the extent of the hardships and suffering likely to follow the wake of a period of severe inflation. Substantial increases in the pay level have to be met in turn by increases in freight rates no matter what economies may be found possible towards offsetting the increase in the pay bill. This in turn may lead to increases in the prices of commodities including necessities, and so the wage earner finds himself no better off while inflation has received a fillip. And so the spiral goes on.

Prices of many of the necessities of life in India today are well above world prices and it is imperative that the upward trend should be arrested and the disparity reduced. I do not wish to prejudge the issue of the level at which wages should be fixed. But it is well to remember that if wages and salaries are pitched too high, they may not merely not result in any benefit to the workers themselves but may cause serious damage to the economy of India as a whole.

It seems to me quite possible that after a time retrocession from inflationary conditions may set in and the greater the height to which inflation reaches the greater will be the subsequent retrocession. Railways, as Government's largest spending industrial concern, will try so to arrange their development programmes as to be spending at the maximum rate when retrocession sets in, though meanwhile, in spite of the present inflationary tendency, Railways will be forced to undertake heavy expenditure in order to overtake the arrears of maintenance which war conditions occasioned and to render the Railways capable of carrying the load which the eventual industrialisation and development of the country will produce. It would be short-sighted in my opinion to postpone this very essential expenditure.

**New Constructions And Restorations**

5. The post-war Railway Programme of new line projects and restoration of dismantled lines was prepared in 1944 in consultation with the Provincial Governments concerned, and a fresh reference has recently been made to them with a view to finding out whether any modification to the programme is considered necessary. Detailed survey investigations of projects comprising about 5,000 miles of new constructions and of about 400 miles of restorations of lines dismantled during the war are at present in hand. Survey reports in respect of some of these projects have already been received and are under examination.

6. The present declared policy of the Central Government in respect of the financing of unremunerative lines has been to ask the Provincial Governments concerned to give an unlimited guarantee against loss for an indefinite period. This system has however, not been found satisfactory, and two alternative proposals of financing branch lines have been offered to the Provinces, viz. :-

(a) that the Railway Department and the Provincial Government concerned should share both the capital cost and the earnings on an agreed basis;

(b) that an initial lump sum subsidy should be paid by Provinces so as to render the capital cost to be incurred by Railways remunerative, the Province having no share in the profits.

**Economy And Financial Control**

7. This brings me to the steps we are taking to improve the position regarding expenditure by the Railways. The Railway Board have already impressed on all Administrations the urgent need for effecting economy in expenditure in al possible directions. In addition, among the matters referred to the Indian Railways Enquiry Committee, 1947, to which I have already alluded, is the following :-

" To suggest ways and means of securing improvement in net earnings by-

(a) economies in all branches of Railway administration, and

(b) by any other means."

It will be seen that the Committee will be covering the whole field of Railway administration in a search for economies and in addition will be exploring the possibilities of improving net earnings through schemes which while involving additional outlay will yield net gains.

8. Another line of action which the Railway Board are pursuing to secure economy is the tightening of the machinery for financial control of railway expenditure, both at the headquarters of the Government of India and on the Railways. This matter has recently been receiving the attention of the Standing Finance Committee for Railways. As a first step the Railway Board have, with the approval of the Public Accounts Committee and the Standing Finance Committee for Railways, rearranged the structure of the Demands for Grants, with effect from the Budget for 1947-48. A self-contained note explaining the changes and reasons underlying them has been separately printed as part of the Budget literature to which I would draw the attention of Honourable Members.

The Railway Board have also under examination the development of a technique of control over expenditure better suited to the needs of a commercial department like the Railways than that now in force, which was worked out primarily for ordinary non-commercial spending departments of Government. They are also taking effective and practical measures to place at the disposal of the General Managers of railways improved machinery for financial advice and control. The reorganisation in the Board's office, which was an essential preliminary to the reorganisation on the railways, has recently been carried out. The next step is to bring into existence a Finance Branch on each railway, which will not be concerned with routine accounts checks and which will be amalgamated with the Budget Branch of the General Manager's office. The necessary detailed investigations to this end have now been taken in hand.

**Regrouping of Railways**

9. With the management of Government owned railways passing into the hands of Government the problem of regrouping them into convenient units for more efficient management has assumed greater

importance. Accordingly this matter has been considered afresh and while Government are alive to the necessity for taking up this question at the earliest possible moment, they feel that for two reasons no firm decision in this regard can be taken in the immediate future. Firstly, the rail ways have not yet recovered from the effects of war, and any, attempt at regrouping at this stage would tend to throw the organisation out of gear to such an extent as to hamper rapid rehabilitation. Secondly, several new line constructions and restorations of dismantled lines are under investigation and any decision on regrouping would be premature until the investigations are completed and a decision is taken as to which of the projects are finally to be taken in hand.

**Revision Of The Rating Structure**

10. In the course of last year's Budget speech mention was made of the need that exists for revising the railways' goods rating structure and to the progress made in that direction. The task IS complex and difficult. In order to afford the House and the general public an insight into the nature of the problem, Government have had printed and circulated a pamphlet explaining the existing structure and the steps that are being taken to rationalise the rates. The revision calls for extreme caution both in the interests of the public and of the Railways. If a uniform rating system, simple to understand and apply, is to be evolved, there must be assimilation not only of varying rating practices and procedures but also of the different commodity rate levels at present obtaining on the different railways. Assimilation infers changes to the advantage of some and to the disadvantage of others; as also changes which in some cases will benefit the trade and in others the Railways. Such is the inevitable result of any attempt to introduce uniformity where considerable diversity exists and if progress appears to be slow it is because of the complex nature of the many problems involved and the necessity for solving them in a manner which will be equitable both to the Railways and their constituents. Honourable Members will no doubt have seen the Press Note issued by the Railway Board in connection with the proposed experiment with the new type of telescopic ‘class' rate to be applied to Manures, Oilcake and Bonemeal (for manure) on a continuous mileage basis. The experiment commenced on the 1st of this month and will extend over a period of six months and much useful data, which will assist the work of revision of the rating structure as a whole, is expected to be obtained.

Meanwhile, the revision of rules and regulations affecting the interchange of goods between the different railways; the routing of traffic; the division of earnings; procedure for the quotation and alteration of rates; the introduction of Station Rate Registers; and the revision of longstanding traffic agreements to bring them into line with the national character of the Railways, are all matters which are receiving close attention and satisfactory progress towards finality is being made.

There is still much work to be done and some considerable time must elapse before the changeover from the present rating system can be completed, but in order that the period shall be reduced to the minimum, a standing committee of Railway Rating experts has been set up with the dual object of hastening completion of the investigation and advising the Railway Board on all connected problems as they arise.

**Restoration Of Passenger Services**

11. The House will be interested to hear what has been I accomplished so far towards the restoration of pre-war railway facilities. A total of 1,046 train services, covering a daily mileage of over 67,000 had been restored or extended since the war ended on the principal Railways up to 1st October 1946 and certain further additional trains the details of which have not yet been received from railways have been re-introduced since then. Although the restoration in full of all services curtailed during the war has not yet been possible, considerable progress in this direction has been achieved. The present passenger train mileage ranges from 80 to 90 per cent of the pre-war services on most of the Railways. The Railways are most anxious to restore passenger train service, to the pre-war level, but they are still handicapped by lack of coaching stock, a considerable amount of which is still on loan to the Defence Department.

During the war, in order to cope with heavy operational moves, the Indian Government Railways loaned 1,390 bogies and 68 four-wheeled carriages to the War (now Defence) Department, and these were used for the running of Military Special Trains and Military Mail Trains. By the end of January 1947 the Defence Department had released 679 bogies, and 22 four wheelers, leaving a balance of 711 bogies and 46 four-wheeled carriages still in use by the Defence Department.

The Railways are fully aware of the urgent necessity for placing the maximum amount of stock into service in order to believe the present congestion in trains and every effort will continue to be made to increase train services to the maximum extent possible consistent with the stock available.

12. During the war 927 stations were closed for goods traffic and 515 for passenger traffic on the various Railways. Up to December 1946, 360 stations had been reopened for goods traffic and 146 for passenger traffic.

The Railway Administrations propose to continue the policy of reopening stations and restoring train halts as and when it is possible to do so.

13. I now turn to the question of rolling stock.

**Manufacture Of Locomotives & Boilers In India**

The Ajmer workshops of the B.B. & C.I. Railway have continued to manufacture locomotives so far as their capacity permitted. The first batch of ten XT/I class locomotives was completed last February and handed over to the N. W. Railway. Work on another batch of ten is now in hand and an order for fifty eight YB passenger locomotives was placed on these shops last August. The boilers for the latter will be manufactured in Tata's Singbhum shops. Reference was made in last year's Budget speech to the delay occasioned in, converting the locomotive repair shops at Kanchrapara into a locomotive manufacturing plant owing to the fact that the whole capacity of the shops had to be used for essential repair work to Broad Gauge locomotives. A subsequent survey of the capacity available for repair work and the volume of work to be carried out in future revealed that none of the capacity of the Kanchrapara shops could be spared for manufacture. It has therefore been decided to erect an entirely new production plant at Kanchrapara North, a short distance away from the existing repair shops. Having in view our future requirements of locomotives the plant will be designed to produce 120 locomotives and 50 boilers a year with single shift working, to which a further 30 locomotives could be added by working a second' shift. The Standing Finance Committee for Railways approved of the scheme at a cost of Rs. 11.4 crores at their meeting last December. The construction of the shops and colony and installation of machinery are expected to be completed by September 1949. Thereafter manufacture can begin but the production of complete locomotives is not expected to begin in any appreciable numbers before the end of 1950.

As the House is aware the Singbhum workshops of the E. I. Railway were handed over to Tatas on the 1st of June 1945. They are now engaged on the manufacture of 100 SGS class boilers.

**Imported Locomotives**

14. Of the total of 934 goods type Broad Gauge locomotives ordered during the war, 930 have already been received and the balance will have been received and put into service by the end of the current financial year. The receipt of these locomotives has eased the situation considerably on the Broad Gauge as far as goods power is concerned. Our most pressing Broad Gauge requirements now are express passenger type locomotives. An order has already been placed in the United Kingdom for 84 such locomotives to an existing design. A further order has just been placed in the U. S. A. for 16 locomotives to a new design which will burn non-coking coal. These will be used as prototypes for subsequent orders. These 100 locomotives are expected during 1948-49. An order for a further 300 locomotives has recently been placed in the United Kingdom though the final specification will not be decided upon until full trials have been carried out with the 16 prototypes. This has been done because capacity for manufacture and suitable delivery dates cannot be secured unless orders are placed now. The 300 locomotives are for delivery by 1950. These orders were placed with the approval of the Standing Finance Committee for Railways.

358 of the American goods type Metre Gauge locomotives owned by the War Department but used by the Railways have been purchased by the Railways.

By the 31st of March 1948 we expect to have in service approximately 6,100 B.G. and 2,300 M.G. locomotives as against 5,215 and 2,064 respectively in 1939. Of these approximately 2,100 B.G. and 800 M.G. will be overage.

**Coaching Stock**

15. Our Carriage Workshops are having to cope with the extensive repairs to coaching stock necessitated by the intensive use to which it was subjected during the war, often without adequate maintenance. Nevertheless it is hoped they will be able in addition to turn, out 200 new coaching vehicles during the current year. Work has been hindered to some extent by shortages of material and labour difficulties.

Of the 216 B.G. and 94 M.G. underframes on order in Australia very few have arrived as yet owing to a shortage of suitable shipping. It is expected that most of them will be received in the course of this year. Orders have been placed in India for 826 B.G. and 254 M.G. underframes. On 350 of the B.G. underframes it is intended to have metal bodies built by outside firms. The Railway Board have decided that future broad gauge passenger coaches shall be 11' 8" wide instead of 10' wide and it is hoped that the manufacture of these vehicles will be undertaken as from April 1948. The various amenities discussed from time to time will be incorporated in these vehicles and for the purpose of demonstrating the standards of comfort planned by the Board for each of the new classes a train of prototype vehicles which will contain samples of the new III, II, I and Air-conditioned classes will be placed on exhibition in Delhi in March.

It will be appreciated that the designs for these new vehicles which are to be of special light weight construction and to have all metal shells, cannot be prepared rapidly, and the earliest time from which the introduction of the change-over was considered possible was April 1948. It has therefore been necessary to construct the vehicles referred to above to the old width of 10'. At the same time every effort is being made to incorporate as many improvements in these carriages as can be managed. This, in the present difficult design and production situation, is the best that could be done.

By the 31st of March 1948 we expect to have in service approximately 14,100 B.G. and 7,800 M.G. coaching vehicles as against 12,347 and 7,309 respectively in 1939. Of these approximately 3,500 B.G. and 3,200 M.G. will be overage.

**Wagons**

16. Of the 19,290 Broad Gauge general service wagons ordered abroad during the war 11,455 had been delivered by the end of 1945-46 leaving a balance of 7,835. Practically all these have since been received, and all but about 2,000 of these wagons are expected to be in service by the end of next month. The Railways have also purchased 6,505 Metre Gauge bogie general service wagons as well as some special type wagons, which belonged to the Defence Department but were being used by the Railways.

During the war, orders for 19,135 Broad and Metre Gauge general service wagons together with some special type wagons were placed on the indigenous wagon building industry. Practically all these wagons are expected to be in service by the end, of this financial year.

In all 11,533 new Broad Gauge general service wagons and 101 new Metre Gauge general service wagons were put into traffic from the 1st of April 1946 to the end of December last. It is expected that a further 3,240 Broad Gauge and 75 Metre Gauge wagons will be put into use by the end of the current financial year.

By the 31st of March 1948 we expect to have in service approximately 168,000 B.G. and 56,500 M.G. general service wagons as against 140,000 and 51,350 respectively in 1939. Of these about 6,200 B.G. and 10,100 M.G. will be overage.

**Coal**

17. Keeping the Railways adequately supplied with coal remains an ever present anxiety and, in some instances, train services have had to be curtailed and booking restrictions imposed for short intervals to tide over the more difficult periods. The North Western and Oudh Tirhut Railways and latterly the Great Indian Peninsula Railway have been particularly affected. Out of a total of some 26 million tons of coal despatched annually from the pitheads the Railways' requirements are of the order of 10 million tons so that fuel economy on the Railways is of very special importance. The Railway fuel economy campaign continues to be vigorously pursued. Every possible method of eliminating the wasteful use of coal is followed up and the special fuel economy staff, who were reintroduced in 1944, were responsible for a total saving in coal consumption of 174,413 tons in 1945-46, as well as seeing that the coal which is burnt is used more efficiently. Coal for locomotives is issued on an accurately rationed basis and a strict check is kept on consumption. The careful training of engine crews in the most economical methods of operation receives constant attention. In suitable areas, where locomotives can be effectively operated on oil fuel, increasing use is made of it, although this should only be regarded as a temporary substitute because it makes the Railways dependent on imported fuel. For ancillary services no coal is used where any suitable alternative fuel is available and increasing use continues to be made of cinders, scrap wood, scrap sleepers, etc. In workshops, measures for the conservation of heat such as the lagging of boilers and steam lines progresses, as efficient lagging materials become increasingly available. Fuel economy Bulletins are issued periodically by the major railways reviewing progress to date and detailing results achieved and measures

under trial.

The production of the better grades of steam coal continues to be inadequate to meet the ever increasing demands and Railways, much to the detriment of operation, are forced to accept higher proportions of less suitable varieties and lower grades of coal. This has added to the difficulties of securing economy.

18. As a long term policy the Railway Board are planning to reduce overall coal consumption by the introduction of rolling stock, both passenger and goods, materially lighter than that in use today.

19. In their construction projects the Board have given the highest priority to those in the coalfield area and those designed to facilitate the expeditious distribution, of the increased raisings of coal that have been planned. The further additions to wagons and rolling stock which these developments will necessitate and other connected matters are now under active examination.

20. In their report the Indian Coalfields Committee have drawn attention to the need for conserving India's limited resources of good metallurgical coking coal. The Railway Board were already fully alive to the situation and are prepared to forego the use of those particular high grades of coal required for metallurgical purposes as soon as suitable alternative arrangements can be effected. These are being examined; but the situation is not simple and an immediate change from existing coal resources to others is not possible.

21. The Board are also exploring the possibilities of alternative forms of power. They have under examination the prospects of electrifying 1,506 route miles of India's railways, including the Bombay-Ahmedabad section of the Bombay Baroda and Central India Railway, the Howrah-Moghalserai section via the Grand Chord on the East Indian Railway and the extension of electrification on the Great Indian Peninsula Railway from Igatpuri to Bhusawal and from Poona to Dhond. In addition the development of diesel electric, gas turbine and other forms of traction are being investigated.

**Co-ordination of Transport**

22. In November last, my predecessor referred in his address to the Transport Advisory Council to the possibility of all forms of transport in the country being brought within the same focus and their co-ordination being entrusted to a Joint Transport Board. A beginning has been made in this direction by the formation recently of a Central Board of Transport for co-ordinating the planning and execution of transport development with a view to eliminating wasteful competition. Though to start with, the Board is composed entirely of officials and has only advisory functions, it is hoped that it will in due course develop an integrated machinery for the co-ordination of all forms of transport so as to provide the best possible service for the least real cost to the community. Coming now to one aspect of this, namely road-rail co-ordination, the House will recollect that in February last a sum of 3.48 crores included in the Budget for 1946-47 for investment in road services was refused on the recommendation of the ad hoc Committee of the House that further action should be postponed until the new Provincial Governments had had an opportunity to study individual schemes of rail-road co-ordination. Ministerial Governments in Provinces have since considered the subject and a number of them have intimated that they are in favour of coordinating both forms of land transport on the basis of financial association by railways with road undertakings. The Government of India have also reviewed the subject and are convinced that co-ordination is essential to avoid wasteful competition, protect Government finances and provide better transport services for the public. While of the view that in most Provinces this could best be achieved in the case of passenger transport by the formation of tri-partite companies in which the Railways, the Provincial Government and road interests would participate, they would however, permit Railways to associate financially in provincialised transport schemes while continuing to urge that an equitable adjustment of the existing operators rights should not be overlooked. The Governments of Bombay, United Provinces and Sind have formulated schemes which include the Railways and it is expected that about 76 lakhs will be required for investment by Railways in these schemes in the Budget year. It has not been possible to estimate precisely the amount that will be required for investments in other Provinces but, judging by available data, some 75 lakhs will be required. A provision of 151 lakhs has, therefore, been made on this account in the Budget, with the approval of the Standing Finance Committee, on the understanding that no actual investment will be made in any undertaking until a detailed scheme has been approved by the Committee.

23. I will now proceed to explain the general budgetary position.

**Actuals For 1945-46**

Our revised estimates of gross traffic receipts for 1945-46 was put at 225 crores. The actuals exceeded this by only 1 crore. Net miscellaneous receipts were 41 lakhs above the revised. Expenditure proved 4.8 crores less than anticipated mainly due to the throwforward of part of the anticipated debit to revenue of the inflationary element in the cost of rolling stock, the deliveries of which did not come up to expectations by the end of the year, partly offset by an increase in the loss on grain shops. The net result was a surplus of 38.20 crores as against the revised estimate of 32.07 crores. Of the surplus 32 crores went to General Revenues and the balance of 6.20 crores into the Railway Reserve. The throwforward of rolling stock resulted in a reduction of about 3 crores in the withdrawals anticipated from the Fund. The balance in the Reserve at the end of the year stood at 38.13 crores as against the revised estimate of 29.05 crores.

**Revised Estimates For 1946-47**

24. Our budget estimate of gross traffic receipts for the current year was 177 crores. The revised estimate has been put at 206 crores, an improvement of 29 crores. Passenger earnings are up by 20½ crores of which some 7 crores are due to the military load falling away more slowly than had been anticipated at this time last year. Civilian passenger traffic has shown a remarkable upsurge due largely to the part restoration of pre-war, train services and facilities. Other coaching receipts are up by 5 crores, again largely because of the slower reduction in military specials. Goods receipts are expected to be 3 crores higher.

25. On the other hand ordinary working expenses are now estimated at 159 crores, an increase of some 33 crores over the budget estimate. Of this, 101 crores is occasioned by throw forward from the previous year in delivery of locomotive, boilers and wagons the inflationary element in the cost of which is debitable to revenue under the special war-time arrangement of which the House is aware, and the payment of hire for Defence Department locomotives and wagons used by the Railways. Ten crores is due to the grant of interim relief and increased rates of dearness allowance with retrospective effect. Our budget estimate of the loss on grain shops anticipated some reduction in food prices. Food prices have, however, risen and this accounts for a further expenditure of 6⅔ crores. The fuel bill is up by 1½ crores.

Total working expenses, including depreciation and payments to worked lines, are now estimated at 174 crores. There is a saving of 65 lakhs in interest charges and an improvement of 6 lakhs in net miscellaneous receipts which partly offset this increase.

Supplementary demands voted by the House in November last, cover the major portion of the increased expenditure and further supplementary demands will be placed before the House later in this session to cover the remaining 7½ crores.

26. The net result of all the variations is that we now expect a surplus of 8. 64 crores after meeting all charges, as against a budgeted surplus of 12.22 crores. In accordance with the ad hoc agreement mentioned in the budget speech last year General Revenues will receive only 5.61 crores against the budget expectation of 7.36 crores, the Betterment Fund will receive 3 crores and the Railway Reserve 3¼ lakhs .

27. The Betterment Fund was inaugurated this year with an initial transfer of 12 crores from the Railway Reserve. It will be debited with I .4 crores for works chargeable to it during the current year and after receiving the credit of 3 crores plus Interest will stand at about 13.8 crores.

28. The balance in the Railway Reserve will be reduced by the 12 crores transferred to the Betterment Fund and by some 5 crores under the special rules for allocation of the cost of rolling stock ordered during the war. It is therefore expected to stand at some 21½ crores at the close of the year, out of which 5 crores is earmarked for arrears of maintenance which accumulated owing to war conditions.

**Budget 1947-48**

29. With existing rates and fares the budget estimate of gross traffic receipts for 1947-48 is 183 crores. The decrease of 23 crores from the revised estimate includes a further reduction of 14 crores in military traffic and 3 crores from parcels. The estimate makes some allowance for the adverse effects of increasing competition from road and other forms of transport, which are inevitable.

30. Our estimate for ordinary working expenses has been put at 135½ crores. I may mention that this estimate does not take into account any increase in the total wage bill which may result from the decisions which Government take on the recommendations of the Adjudicator and the Pay Commission. To cover any

such increase it will be necessary to approach the House at a later date with supplementary demands. Out of the reduction of 23 crores from the revised estimate for 1946-47, the fact that the special debits to revenue of part cost of works and rolling stock ordered during the war will be virtually completed in the current year and the non-recurrence of hire charges on locomotives and wagons owned by the Defence Department and used by the Railways, account for nearly 21 crores. The non-recurrence of arrears of interim relief and dearness allowance accounts for a fall of over 3t crores. These reductions are partly offset by an increase of 1.75 crores in the provision for repairs under work and rolling stock.

The appropriation to the Depreciation Fund has been placed at 15.34 crores, of which 1.84 crores is a special appropriation made in order to credit to the Fund the amounts that would have been accumulated therein if the Bengal and North Western and the Rohilkund and Kumaon Railway Companies lines had been Government owned from 1924-25 and had maintained a Depreciation Fund like the rest of the Government Railways. Payments to worked lines on the basis of present charges would be 1.6 crores and net miscellaneous receipts 2.95 crores. Interest charges are expected to be 26.58 crores. The net balance would then be 7 crores which has to provide for the contributions to General Revenues, the Betterment Fund and the Railway Reserve.

31. The revised estimates indicate that the contribution to General Revenues in the current year is likely to fall 1.75 crores short of the Budget estimate of 7.36 crores and in view on the one hand of the heavy commitments of the Government of India in respect of large development schemes and on the other of shrinking revenues and public borrowings, Government have fixed the contribution to General Revenues for next year at 7½ crores after the loss on strategic lines has been met.

32. The Betterment Fund is expected to open the Budget year with a balance of about 13.8 crores out of which it is expected to spend 41 crores. This Fund as the House is aware has to defray the cost of amenities for passengers, works connected with staff welfare including quarters for inferior staff, and certain non-remunerative operative improvements designed for the safety of passengers and improvement in the efficiency of the services rendered to the public. Expenditure from this Fund will increase rather than diminish in future years and it is considered essential that the appropriation to the Fund in the Budget year should at a minimum be 5 crores.

33. The Railway Reserve is expected to stand at 21½ crores at the end of the current financial year out of which 5 crores are earmarked for the arrears of maintenance which have accumulated owing to war conditions leaving a free balance of 16½ crores. Expenditure from the Reserve in the Budget year is put at 2 lakhs so that the balance at the end of the year would remain practically unchanged. A Reserve of this order for a commercial concern with over 800 crores capital at charge can only be regarded as quite inadequate. This fact was recognized by the Wedgewood Committee who recommended in 1937 that the Reserve should be built up to at least 50 crores. Government therefore consider it essential to provide for a contribution of not less than 5 crores in the Budget year. Even at this rate it will take seven years to build up the Reserve to the minimum level.

34. The requirements for contributions thus total 17½ crores to meet which the estimated balance is 7 crores. There is thus a gap of 10½ crores to be covered.

35. When there is a gap between revenue and expenditure, an industrial concern would set about putting matters on a sound financial basis by endeavouring to reduce costs as far as practicable and if by this means the gap could not be covered then it would have no option but to raise the prices of its products. It is in this way I have addressed myself to the problem. I have indicated earlier in my speech the attempts that are already being made to reduce working expenses and we trust that some further economies may evolve from the recommendations of the Railways Enquiry Committee. The measure of possible economies must of necessity be limited and this will be seen from a rough breakdown of the estimates of working expenses. Out of the total of 135½ crores, staff including pay, allowances, gratuities, provident fund contributions and loss on grain shops, account for 85½ crores. Government have pledged themselves to no retrenchment of staff until after the Adjudicator's recommendations are published and there is the possibility of a further increase in the pay bill as the result of the recommendations of the Pay Commission.

Fuel accounts for nearly 22½ crores, the cost of which is not within the control of Railway administrations though they are constantly pursuing measures to secure economy in consumption.

Consumption of stores for operation and maintenance including clothing, accounts for 23½ crores. In view of the load to be carried and the arrears of maintenance which have to be overtaken in the next few years the possibility of reduction under this head seems remote. The remaining 4 crores covers a variety of

smaller items such as the provision of stationery, forms and tickets, compensation for goods lost or damaged and for accidents, police, and certain contributions and grants.

36. Hopeful as Government are that some economies may prove practicable it is expected that they will do no more than arrest the rise in operating costs and the gap which exists now is not likely to be lessened in the near future. Government have therefore come to the conclusion that it is essential while effecting all possible economies, to take steps concurrently to moderate the decline in earnings. This can only be achieved on a falling volume of traffic handled, by a lift in the level of charges for both passengers and merchandise.

Early in 1940 when it became apparent that additional revenue would be required to cover the rising cost of operation due to war conditions, a surcharge of 12½ per cent. was applied to freight on general merchandise except for foodgrains, manures and fodder, and 6.25 per cent. to passenger fares above Re.1. No other increase was made in the general level of railway charges throughout the war years, except that the surcharge on parcels traffic by passenger train was raised from 12½ per cent. to 25 per cent., and so long as high revenue levels were maintained no further enhancements were made in spite of a phenomenal rise in the working costs. Today, however, we are faced with the inevitable result of the changed economic and social conditions that have emerged in the aftermath of war higher wages and higher costs of materials stores and fuel, all aggregating to the continuance of a high level of operating expenses, while on the other hand the level of revenues has commenced to decline and it is not at present possible to foresee the level to which they may eventually recede. Not only have the large revenues from military traffic, and traffic actuated by the needs of war been cut off, but soon, road and other forms of competitive transport will be revived and intensified, as the vehicles of movement become increasingly available. In spite of the high degree of co-ordination with such forms of transport which the railways hope to achieve, a decline in railway revenues is inevitable.

37. Most reluctantly, therefore Government have decided that the time has come to raise the level of railway charges to ensure the solvency of this national undertaking, and this, it is proposed to do by a 6.1 per cent. increase on the present level of fares above Re. 1 and the application of a 61 per cent. increase to fares below Re. 1 which have hitherto not been called upon to make any contribution to the increased costs of operation. The minimum fare of one anna will, however, remain. The yield from this increase is estimated at Rs. 4.75 crores.

As regards merchandise by goods trains, to which an increased charge of 12½ per cent. already applies, (except for foodgrains in wagon loads, manures and fodder) and to that by passenger train to which an increased charge of 25 per cent. applies, Government are anxious to avoid any action calculated to retard the development of nascent industry or to increase the retail prices of the necessities of life; but at the same time additional revenue to the extent of Rs. 5.75 crores has to be found and a rise in the freight rates for the carriage of merchandise cannot wholly be avoided without throwing a heavier burden on passenger traffic than is proposed. It is necessary to explain that there are many commodities, the general level of rates for which are today lower and in many cases much lower-than what the traffic can bear, and it is believed that the additional revenue required can be obtained by lifting, within the framework of the present scales of authorised charges, the level of many of the special and station-to-station rates now in existence. These rates owe their existence and the low level at which they are pitched, to economic and transport conditions which no longer obtain, and many commodities can afford today to bear a higher general level of charges than in pre-war days. Nevertheless, the increases contemplated, particularly in so far as these relate to the necessities of life, as for example foodgrains and piece-goods, will be individually far too small to offer any justification for an increase in retail prices. The incidence of the freight increases will never exceed one pie per seer of foodgrains or one pie per yard of cloth. The yield anticipated from these freight adjustments is about 5.75 crores, and although this may appear to be a large sum in the aggregate, the incidence of the increase will be so spread as to fall equitably and in just proportion to the ability of the different commodities to bear it. Government are of the view that this is a more satisfactory method of securing the additional revenue required than a general percentage increase which would fall equally on all varieties of merchandise irrespective of the lesser or greater ability of different commodities to pay the higher freight charges.

38. In making these proposals, Government have kept in mind the importance of keeping in check the inflationary tendency which still prevails. It will be realised that an increase in passenger fares is deflationary in effect, resembling in this respect an increase in direct taxation. An increase in freight rates on the other hand tends to raise prices but as I have explained, our proposals are so framed that they will have no perceptible effect on the prices of essential commodities. Moreover they involve no alteration in the general structure of our goods rates but are confined to a readjustment of the special rates brought into existence by

conditions which no longer apply. The position roughly is that as against an increase of 185 per cent. in our wholesale price index and of 159 per cent. in the cost of living index (based on Bombay prices), the increases in rates and fares since the war started, and including those now proposed have not reached 12½ per cent. and 13 per cent. respectively. The increase in passenger fares will take effect from the 1st March next and in the freight rates concerned from the 1st, April next.

39. The effect of these changes will be to cover the gap of 10½ crores at present visible. The gross traffic earnings will then become 193½ crores. The printed budget estimates I am presenting today include the anticipated receipts from these enhanced charges.

**Capital, Betterment Fund And Depreciation Fund Expenditure**

**1946-47**

40. The budget estimate of the works programme for the current year was 34.54 crores, against which the revised estimate is 32.90 crores, 13.49 crores under Capital, 1.42 crores under Betterment Fund and 17.99 crores under Depreciation Fund. This includes a small provision of 7 lakhs for capital expenditure on the Vizagapatam Port, the administrative control of which was transferred to the Railway Department from the War Department on 1st April 1946. The settlement of the terms under which the Railway Department will assume full financial responsibility for the Port is nearing completion.

The expenditure on New Constructions in the current year is expected to be only about 42 lakhs, against 2 crores included in the budget, as final decisions have not yet been taken in regard to the constructions it was then thought, might be commenced this year. Open line works expenditure is, however, likely to exceed the budget provision by 2. 61 crores, mainly on the housing of colliery labour and the .creation of a reserve of coal at Bokaro Colliery. Suspense balances are now expected to be reduced by 1.57 crores in pursuance of the policy of cutting down surplus stocks now that the war emergency is over. Expenditure on rolling stock is now expected to be about a quarter of a crore less than the budget since 144 suburban electric coaches for the Bombay Baroda and Central India and Great Indian Peninsula Railways, a ferry steamer for the South Indian Railway and 6 Broad Gauge locomotives for the Madras and Southern Mahratta Railway and some boilers provided for are not expected to be received till 1947-48. As against these throwforwards provision has now been made for the difference between the price of 350 MacArthur locomotives and 2,100 Metre Gauge wagons purchased from Defence Department and provisionally adjusted last year and the price as finally, settled this year, as well as for the cost of 8 more MacArthur locomotives and 4,588 more Metre Gauge wagons which it has now been decided to purchase. Of the expenditure of about 2.8 crores involved in this, one crore will be charged to Revenue Working Expenses under the special rules of allocation for stock ordered during the war and the balance of I. 8 crores to Capital, the Depreciation Fund and Railway Reserve. Besides this, provision has also been included for certain Broad Gauge locomotives and wagons expected last year but received only in the current year.

**1947-48**

41. The works programme for the budget year is for a gross total of 58.42 crores, 33.45 crores under Capital, 5.50 crores under Betterment Fund and 19.47 crores under Depreciation Fund. 2.47 crores is for New Constructions and for the restoration of dismantled lines, which include .the Bhimsen-Khairada Section on the Great Indian Peninsula Railway and the Rupar-Talaura line on the North Western Railway, which is expected to be opened to traffic during the year. 35 lakhs has been provided for the purchase of the Mandra-Bhaun Railway, of which 6 lakhs, representing premium, has been provided under Revenue Working Expenses. A provision of 1.51 crores has been made for probable investments in road services. No investment will be made without prior reference to the Standing Finance Committee for Railways. Capital expenditure on Vizagapatam Port accounts for 15 lakhs. For Open Line Works we have provided 54 crores, which includes 5⅔ crores for staff quarters, the major portion being for inferior staff. Over 97 lakhs has been included for expenditure on amenities to staff such as the provision of institutes, hospitals, dispensaries, maternity and child welfare centres and improvements in sanitation and water supply in railway colonies. A lump sum out of 15 per cent. has been made on the programme for Works, Rolling Stock and Machinery, as it is probable that the railways will not be able to spend the full amount. The net provision thus comes to 50 crores of which 4.7 crores will be charged to the Betterment Fund and 16.09 crores, to the Depreciation Fund.

Taking into account the increased receipts expected from the increases in fares and certain freight rates the balances in the Betterment Fund, Depreciation Fund and Railway Reserve at the end of 1947-48 are estimated at 14.56 crores, 101.92 crores and 26.45 crores respectively.

**The Convention**

42. An exhaustive investigation has been carried out by officers of the Railway Board of the data available with Railway Administrations pertaining to replacements of the various classes of railway assets in past years. From this data provisional conclusions have been reached as to the appropriate figures for the lives of the various classes. The capital at charge of each railway is now with the use of such records as exist, being apportioned between the various classes. When this has been completed it will be possible to calculate the appropriate annual contribution to the Depreciation Fund. It is hoped that this work will be finished in time to put the proposals before the Standing Finance Committee for Railways next July.

Government expect to arrive at early decisions on the recommendations of the Adjudicator and the Pay Commission so that the resulting effects on the Railway pay bill should be known within a reasonably short time. Although the future trend of traffic receipts may still be a matter for some speculation it would in Government's opinion be advantageous to appoint a Committee now to review the whole question of the Railway Separation Convention. Even though the Committee may not be able to start their work in earnest before the late summer, if they are constituted now they will certainly be able to take up the work before the next session of the Legislature.

I shall therefore during the course of this session bring, forward a motion regarding the election of members of the House to the Committee which Government propose to set up.

43. The first full year of peace is drawing to a close and looking back evidence is not wanting that some progress has been made along the difficult return path from war to peace conditions. The changeover is, however, so great and its effects on such a vast organisation as the Indian railway system are so profound, that it is not surprising if strains and stresses develop in many directions and a variety of difficult problems are thrown up. Added to the general unrest, which always follows in the wake of wide-spread war, there have been the unsettling effects of political changes. But given goodwill and the exercise of a little patience by the staff and the public alike, which I think the House will agree this Government is, entitled to expect, the major difficulties will be smoothed out in the near future and we can apply ourselves to the rehabilitation and development which we all so earnestly desire.

44. I should like in conclusion to express on behalf of Government our warm appreciation of the work done by the staff and by all railway employees during the year. It has been an exceptionally trying and difficult year which has imposed a heavy strain on the whole of my organisation from the Chief Commissioner downwards. I wish to take this opportunity to pay a tribute to the loyalty and zeal with which they have discharged their duties under adverse conditions.

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